
SUBSTITUTE HOUSE BILL 1091

State of Washington

60th Legislature

2007 Regular Session

By House Committee on Community & Economic Development & Trade (originally sponsored by Representatives VanDeWege, Chase, Upthegrove, Miloscia, B. Sullivan, O'Brien, P. Sullivan, Morrell, Sells, Kenney, Rolfes, Kelley, Moeller, Wallace and Eddy; by request of Governor Gregoire)

READ FIRST TIME 02/28/07.

1 AN ACT Relating to innovation partnership zones; amending RCW
2 39.102.070 and 82.14.370; adding a new section to chapter 43.330 RCW;
3 creating a new section; and providing an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** Washington is home to some of the world's
6 most innovative companies, researchers, entrepreneurs, and workers.
7 Talent and creativity exist in all areas of Washington, but economic
8 experience around the world shows that economic impact can be
9 particularly large where talent and resources are densely concentrated.
10 All over the world, small, specific areas are becoming focal points for
11 economic change and leadership. These areas have name recognition,
12 attract some of the best talent, and provide a strong sense of
13 community among the people who work there. Washington is home to some
14 of these areas now and needs to have more of them in the future. It is
15 the intent of the legislature that Washington support the
16 identification and promotion of innovation partnership zones to advance
17 Washington's position in the world economy. Washington is a national
18 leader in economic strategy based on clusters of industries, promoting
19 the connections among firms, suppliers, customers, and public

1 resources. Washington's innovation partnership zone strategy is an
2 extension of that policy to promote research-based firms and industries
3 in specific areas that become globally recognized as hubs of innovation
4 and expertise.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.330 RCW
6 to read as follows:

7 (1) The director shall designate innovation partnership zones on
8 the basis of the following criteria:

9 (a) Innovation partnership zones must have three types of
10 institutions operating within their boundaries, or show evidence of
11 planning and local partnerships that will lead to dense concentrations
12 of these institutions:

13 (i) Research capacity in the form of a university or community
14 college fostering commercially valuable research, nonprofit
15 institutions creating commercially applicable innovations, or a
16 national laboratory;

17 (ii) Dense proximity of globally competitive firms in a
18 research-based industry or industries or of individual firms with
19 innovation strategies linked to (a)(i) of this subsection. A globally
20 competitive firm may be signified through international organization
21 for standardization 9000 or 1400 certification, or other recognized
22 evidence of international success; and

23 (iii) Training capacity either within the zone or readily
24 accessible to the zone. The training capacity requirement may be met
25 by the same institution as the research capacity requirement, to the
26 extent both are associated with an educational institution in the
27 proposed zone.

28 (b) The proposed innovation partnership zone must have identifiable
29 boundaries that contain dense concentrations of leading companies,
30 research capacity, and skills, or otherwise show evidence of planning
31 and partnerships that will produce such concentrations in an identified
32 time period. This may be provided through evidence of identifiable
33 innovation partnership zone boundaries cited in previous planning
34 documents. Innovation partnership zone proposals must be able to
35 describe the boundaries of the zone using commonly available data and
36 maps.

1 (c) Innovation partnership zones must be small enough and distinct
2 enough so that workers and companies have a unique affinity for the
3 area within the zone. Innovation partnership zones may already possess
4 a distinct identity or they may provide evidence of marketing efforts
5 to create a distinct name and identity for the area within the zone's
6 boundaries.

7 (d) The innovation partnership zone must include unused or
8 otherwise potentially available property to allow for future expansion.
9 Innovation partnership zones need not possess vacant land to meet this
10 requirement. Local zoning and economic conditions must provide
11 evidence that capacity for expansion exists. Such plans shall be
12 consistent with the goals and requirements of chapter 36.70A RCW and
13 city and county comprehensive plans and development regulations.

14 (e) The innovation partnership zone administrator must be an
15 economic development council, port, workforce development council,
16 city, or county.

17 (2) On October 1st of each year, the director shall designate
18 innovation partnership zones on the basis of applications that meet the
19 legislative criteria, estimated economic impact of the zone, and
20 evidence of forward planning for the zone. The director will designate
21 an innovation partnership zone administrator in the local area.

22 (3) Innovation partnership zones are eligible for funds and other
23 resources as provided by the legislature or at the discretion of the
24 governor.

25 (4) If the innovation partnership zone meets the other requirements
26 of the fund sources, then the zone is eligible for the following funds
27 relating to:

28 (a) The local infrastructure financing tools program;

29 (b) The sales and use tax for public facilities in rural counties;
30 and

31 (c) Job skills.

32 (5) An applicant for designation as an innovation partnership zone
33 shall show evidence of support from a research institution, an
34 educational institution, a company with operations within the zone, a
35 workforce development council, and an economic development council,
36 port, or chamber of commerce.

37 (6) An innovation partnership zone shall be designated as a zone

1 for a four-year period. At the end of the four-year period, the zone
2 must reapply for the designation through the department.

3 (7) The department shall convene annual information sharing events
4 for innovation partnership zone administrators and other interested
5 parties.

6 (8) An innovation partnership zone shall provide performance
7 measures as required by the director, including but not limited to
8 private investment measures, job creation measures, and measures of
9 innovation such as licensing of ideas in research institutions,
10 patents, or other recognized measures of innovation.

11 **Sec. 3.** RCW 39.102.070 and 2006 c 181 s 205 are each amended to
12 read as follows:

13 The use of local infrastructure financing under this chapter is
14 subject to the following conditions:

15 (1) No funds may be used to finance, design, acquire, construct,
16 equip, operate, maintain, remodel, repair, or reequip public facilities
17 funded with taxes collected under RCW 82.14.048;

18 (2)(a) Except as provided in (b) of this subsection no funds may be
19 used for public improvements other than projects identified within the
20 capital facilities, utilities, housing, or transportation element of a
21 comprehensive plan required under chapter 36.70A RCW;

22 (b) Funds may be used for public improvements that are historical
23 preservation activities as defined in RCW 39.89.020;

24 (c) Funds may be used for innovation partnership zones, as provided
25 under section 2 of this act;

26 (3) The public improvements proposed to be financed in whole or in
27 part using local infrastructure financing are expected to encourage
28 private development within the revenue development area and to increase
29 the fair market value of real property within the revenue development
30 area;

31 (4) A sponsoring local government, participating local government,
32 or participating taxing district has entered or expects to enter into
33 a contract with a private developer relating to the development of
34 private improvements within the revenue development area or has
35 received a letter of intent from a private developer relating to the
36 developer's plans for the development of private improvements within
37 the revenue development area;

1 (5) Private development that is anticipated to occur within the
2 revenue development area, as a result of the public improvements, will
3 be consistent with the county-wide planning policy adopted by the
4 county under RCW 36.70A.210 and the local government's comprehensive
5 plan and development regulations adopted under chapter 36.70A RCW;

6 (6) The governing body of the sponsoring local government, and any
7 cosponsoring local government, must make a finding that local
8 infrastructure financing:

9 (a) Is not expected to be used for the purpose of relocating a
10 business from outside the revenue development area, but within this
11 state, into the revenue development area; and

12 (b) Will improve the viability of existing business entities within
13 the revenue development area;

14 (7) The governing body of the sponsoring local government, and any
15 cosponsoring local government, finds that the public improvements
16 proposed to be financed in whole or in part using local infrastructure
17 financing are reasonably likely to:

18 (a) Increase private residential and commercial investment within
19 the revenue development area;

20 (b) Increase employment within the revenue development area;

21 (c) Improve the viability of any existing communities that are
22 based on mixed-use development within the revenue development area; and

23 (d) Generate, over the period of time that the local option sales
24 and use tax will be imposed under RCW 82.14.475, state excise tax
25 allocation revenues and state property tax allocation revenues derived
26 from the revenue development area that are equal to or greater than the
27 respective state contributions made under this chapter;

28 (8) The sponsoring local government may only use local
29 infrastructure financing in areas deemed in need of economic
30 development or redevelopment within boundaries of the sponsoring local
31 government.

32 **Sec. 4.** RCW 82.14.370 and 2004 c 130 s 2 are each amended to read
33 as follows:

34 (1) The legislative authority of a rural county may impose a sales
35 and use tax in accordance with the terms of this chapter. The tax is
36 in addition to other taxes authorized by law and shall be collected
37 from those persons who are taxable by the state under chapters 82.08

1 and 82.12 RCW upon the occurrence of any taxable event within the
2 county. The rate of tax shall not exceed 0.08 percent of the selling
3 price in the case of a sales tax or value of the article used in the
4 case of a use tax, except that for rural counties with population
5 densities between sixty and one hundred persons per square mile, the
6 rate shall not exceed 0.04 percent before January 1, 2000.

7 (2) The tax imposed under subsection (1) of this section shall be
8 deducted from the amount of tax otherwise required to be collected or
9 paid over to the department of revenue under chapter 82.08 or 82.12
10 RCW. The department of revenue shall perform the collection of such
11 taxes on behalf of the county at no cost to the county.

12 (3)(a) Moneys collected under this section shall only be used to
13 finance public facilities serving economic development purposes in
14 rural counties or for innovation partnership zones, as provided under
15 section 2 of this act. The public facility must be listed as an item
16 in the officially adopted county overall economic development plan, or
17 the economic development section of the county's comprehensive plan, or
18 the comprehensive plan of a city or town located within the county for
19 those counties planning under RCW 36.70A.040. For those counties that
20 do not have an adopted overall economic development plan and do not
21 plan under the growth management act, the public facility must be
22 listed in the county's capital facilities plan or the capital
23 facilities plan of a city or town located within the county.

24 (b) In implementing this section, the county shall consult with
25 cities, towns, and port districts located within the county and the
26 associate development organization serving the county to ensure that
27 the expenditure meets the goals of chapter 130, Laws of 2004 and the
28 requirements of (a) of this subsection. Each county collecting money
29 under this section shall report to the office of the state auditor, no
30 later than October 1st of each year, a list of new projects from the
31 prior fiscal year, showing that the county has used the funds for those
32 projects consistent with the goals of chapter 130, Laws of 2004 and the
33 requirements of (a) of this subsection. Any projects financed prior to
34 June 10, 2004, from the proceeds of obligations to which the tax
35 imposed under subsection (1) of this section has been pledged shall not
36 be deemed to be new projects under this subsection.

37 (c) For the purposes of this section, (i) "public facilities" means
38 bridges, roads, domestic and industrial water facilities, sanitary

1 sewer facilities, earth stabilization, storm sewer facilities,
2 railroad, electricity, natural gas, buildings, structures,
3 telecommunications infrastructure, transportation infrastructure, or
4 commercial infrastructure, and port facilities in the state of
5 Washington; and (ii) "economic development purposes" means those
6 purposes which facilitate the creation or retention of businesses and
7 jobs in a county.

8 (4) No tax may be collected under this section before July 1, 1998.
9 No tax may be collected under this section by a county more than
10 twenty-five years after the date that a tax is first imposed under this
11 section.

12 (5) For purposes of this section, "rural county" means a county
13 with a population density of less than one hundred persons per square
14 mile or a county smaller than two hundred twenty-five square miles as
15 determined by the office of financial management and published each
16 year by the department for the period July 1st to June 30th.

17 NEW SECTION. **Sec. 5.** Section 3 of this act expires June 30, 2039.

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